

OLL 84-3074

STAT

Office of Legislative Liaison
Routing Slip

STAT

TO:	ACTION	INFO
1. D/OLL		x
3. DD/OLL		x
3. Admin Officer		
4. Liaison		x
5. Legislation		x
6.		
7.		
8.		
9.		
10.		

SUSPENSE

Date

Action Officer:

Remarks:

STAT

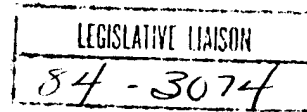
5 June 84

Name/Date

STAT

TO
We've known of this, I guess. I hadn't known it was a Tax Bill. I don't think we need to do anything

DD/OLL
9 JUN 1984



47

4 June 1984

NOTE TO: Deputy Director, OLL

FROM : AGC/DDO

STAT

SUBJECT: "Sense of the Congress" Resolution on Mining
of Nicaraguan Ports



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1. In furtherance of our recent conversation, I am attaching for your information an excerpt from the 23 May Congressional Record setting forth the House-passed version of the "Tax Reform Act of 1984." The legislation is quite lengthy, but your attention is directed to section 1001 which deals with the issue of the mining of Nicaraguan ports.

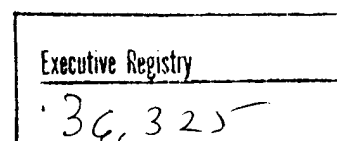
2. Mike Matheson at the State Department first noticed this provision and brought it to my attention on Friday night, but he has no idea how or why this section found its way into proposed tax legislation. In any case, Matheson tells me that this House-passed bill is now headed to conference.

3. I defer to you on any follow-up action.



STAT

Attachment: a/s



May 23, 1984

CONGRESSIONAL RECORD — HOUSE

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such term is defined in section 103 of title 5, United States Code).

"(g) CROSS REFERENCE.—For procedures relating to agency notification of the Secretary, see section 3721 of title 31, United States Code."

(2) Subsection (a) of section 6402 of such Code is amended by striking out "subsection (c)" and inserting in lieu thereof "subsections (c) and (d)".

(3)(A) Subsection (l) of section 6103 of such Code (relating to confidentiality and disclosure of returns and information) is amended by adding at the end thereof the following new paragraph:

"(9) DISCLOSURE OF CERTAIN INFORMATION TO AGENCIES REQUESTING A REDUCTION UNDER SECTION 6402(c) OR 6402(d).—

"(A) RETURN INFORMATION FROM INTERNAL REVENUE SERVICE.—The Secretary may, upon receiving a written request, disclose to officers and employees of an agency seeking a reduction under section 6402(c) or 6402(d)—

"(i) the fact that a reduction has been made or has not been made under such subsection with respect to any person;

"(ii) the amount of such reduction; and
"(iii) taxpayer identifying information of the person against whom a reduction was made or not made.

"(B) RESTRICTION ON USE OF DISCLOSED INFORMATION.—Any officers and employees of an agency receiving return information under subparagraph (A) shall use such information only for the purposes of, and to the extent necessary in, establishing appropriate agency records or in the defense of any litigation or administrative procedure ensuing from reduction made under section 6402(c) or section 6402(d)."

(B)(i) Section 6103(p)(3)(A) of such Code (relating to procedure and recordkeeping) is amended by striking out "(l) (1), (4)(B), (5), (7), or (8)" and inserting in lieu thereof "(l) (1), (4)(B), (5), (7), (8), or (9)".

(ii) Section 6103(p)(4) of such Code is amended by striking out "(l) (1), (2), or (5)" and inserting in lieu thereof "(l) (1), (2), (5), or (9)".

(iii) Section 6103(p)(4)(F)(i) of such Code is amended by striking out "(l) (1), (2), (3), or (5)" and inserting in lieu thereof "(l) (1), (2), (3), (5), or (9)".

(4) Section 7213(a)(2) of such Code (relating to unauthorized disclosure of information) is amended by striking out "(l) (6), (7), or (8)" and inserting in lieu thereof "(l) (6), (7), (8), or (9)".

(c) The amendments made by this section shall apply with respect to refunds payable under section 6402 of the Internal Revenue Code of 1954 after December 31, 1985, and before January 1, 1988.

SUBTITLE E—CERTAIN PROVISIONS RELATING TO PUERTO RICO AND THE VIRGIN ISLANDS

CLARIFICATION OF DEFINITION OF ARTICLES PRODUCED IN PUERTO RICO OR THE VIRGIN ISLANDS

SEC. 996. (a) Section 7652 of the Internal Revenue Code of 1954 (relating to shipments to the United States) is amended by adding at the end thereof the following new subsection:

"(d) ARTICLES PRODUCED IN PUERTO RICO OR THE VIRGIN ISLANDS.—For purposes of subsections (a)(3) and (b)(3), any article containing distilled spirits shall in no event be treated as produced in Puerto Rico or the Virgin Islands unless at least 92 percent of the alcoholic content in such article is attributable to rum."

(b)(1) Except as provided in paragraph (2), the amendments made by subsection (a) shall apply with respect to articles brought into the United States on or after February 28, 1984.

(2)(A) Subject to the limitations of subparagraphs (B) and (C), the amendment

made by subsection (a) shall not apply with respect to articles brought into the United States from Puerto Rico after February 28, 1984, and before July 1, 1984.

(B) In the case of articles containing distilled spirits brought into the United States from Puerto Rico after February 28, 1984, and before July 1, 1984, the aggregate amount payable to Puerto Rico by reason of subparagraph (A) shall not exceed the excess of—

(i) \$130,000,000, over,

(ii) the aggregate amount payable to Puerto Rico under section 7652(a) of the Internal Revenue Code of 1954 with respect to articles containing distilled spirits (other than rum) which were brought into the United States after June 30, 1983, and before February 29, 1984, and which would not meet the requirements of section 7652(d)(1) of such Code.

(C)(i) Subparagraph (A) shall not apply with respect to any article if the Secretary determines that an amount in excess of transportation costs was provided by Puerto Rico directly or indirectly to a distiller located in the United States with respect to such article.

(ii) For purposes of this subparagraph, the term "transportation costs" means reimbursement for direct costs of transportation to and from Puerto Rico with respect to any article containing distilled spirits.

(c)(1) Paragraph (3) of section 7652(c) of such Code (relating to shipments of rum to the United States) is amended by inserting before the period ", and which would be eligible for cover over if produced in Puerto Rico or the Virgin Islands under subsection (d)".

(2) The amendment made by paragraph (1) shall apply with respect to articles brought into the United States on or after February 28, 1984.

LIMITATION ON TRANSFERS OF EXCISE TAX REVENUES TO PUERTO RICO AND THE VIRGIN ISLANDS

SEC. 997. (a) Section 7652 of the Internal Revenue Code of 1954 (relating to shipments to the United States) is amended by adding at the end thereof the following new subsection:

"(e) LIMITATION ON COVER OVER OF TAX ON DISTILLED SPIRITS.—For purposes of this section, with respect to taxes collected under section 5001 or this section on all distilled spirits, the amount covered into the treasuries of Puerto Rico and the Virgin Islands shall not exceed the lesser of the rate of—
"(1) \$10.50, or
"(2) the tax imposed under section 5001(a)(1) or this section, on each proof gallon."

(b) The amendment made by this section shall apply to articles containing distilled spirits brought into the United States after December 31, 1984.

SUBTITLE F—PAYMENT TO STATES OF BACK CLAIMS

PAYMENT SCHEDULE FOR REIMBURSEMENT OF BACK CLAIMS DUE THE STATES

SEC. 998. (a) The payment schedule contemplated by section 136 of Public Law 97-276 for reimbursement of expenditures described in that section is hereby established as follows:

(1) For expenditures identified in the decree entered by the United States District Court for the District of Columbia on July 21, 1983, in the case of State of Connecticut v. Heckler, No. 81-2237, and allowed by the Secretary of Health and Human Services prior to the date of the enactment of this Act, payment shall be made by supplemental grant award or otherwise, within 30 days after the date of the enactment of this Act.

(2) For any other expenditure described in such section 136 which was identified in such decree or in any other decree entered by a Federal court in a suit filed prior to September 30, 1982, payment shall be made, by supplemental grant award or otherwise, as soon as the expenditure or portion thereof involved is finally determined by the Secretary of Health and Human Services to be an allowable claim under the substantive provisions of the applicable title of the Social Security Act.

(b) With respect to section 306 of Public Law 96-272, no State or local expenditure incurred prior to October 1, 1978, under a State plan approved under title I, IV, V, X, XIV, XVI, XIX, or XX of the Social Security Act, shall be reimbursed, now or hereafter, unless—

(1) it is identified in paragraph (1) or (2) of subsection (a); or

(2) the claim for such reimbursement (whether asserted as an adjustment to prior year costs, or otherwise) was filed with the Secretary of Health and Human Services not later than May 15, 1981.

TITLE X—MISCELLANEOUS PROVISIONS

MINING OF NICARAGUAN PORTS

SEC. 1001. It is the sense of the Congress that no funds heretofore or hereafter appropriated in any Act of Congress shall be obligated or expended for the purpose of planning, directing, executing, or supporting the mining of the ports or territorial waters of Nicaragua.

MAX PLANCK INSTITUTE FOR RADIOASTRONOMY

SEC. 1002. (a) The Secretary of the Treasury is authorized and directed to admit free of duty any article provided by the Max Planck Institute for Radioastronomy of the Federal Republic of Germany to the joint astronomical project being undertaken by the Steward Observatory of the University of Arizona and the Max Planck Institute for the construction, installation, and operation of a sub-mm telescope in the State of Arizona: Provided, That such article satisfies each of the following conditions:

(1) Such article qualifies as "instruments and apparatus" under Headnote 8(a) of Schedule 8, Part 4, TSUS, 19 U.S.C. section 1202 (1970); 80 Stat. 897.

(2) No instruments or apparatus of equivalent scientific value for the purposes for which such article is intended to be used is being manufactured in the United States. For purposes of this condition, scientific testing equipment provided by the Max Planck Institute and necessary for aligning, calibrating, or otherwise testing an instrument or apparatus shall be considered to be part of such instrument or apparatus.

(b) The University of Arizona and/or the Max Planck Institute shall submit to the United States Customs Service and to the International Trade Administration descriptions of the articles sought to be admitted free of duty containing sufficient detail to allow the United States Customs Service to determine whether subsection (a)(1) is satisfied and the International Trade Administration to determine whether subsection (a)(2) is satisfied. The descriptions may be submitted in a single or in several submissions to each agency, as the University of Arizona and the Max Planck Institute shall deem appropriate during the course of the project. The United States Customs Service and the International Trade Administration are directed to make their respective determinations within ninety days of the date that they have received a sufficient submission with respect to an article or articles.

(c) The Secretary of the Treasury is authorized and directed to readmit free of duty

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any article admitted free of duty under subsection (a) and subsequently returned to the Federal Republic of Germany for repair, replacement, or modification.

(d) The Secretary of the Treasury is authorized and directed to admit free of duty any repair components for articles admitted free of duty under subsection (a).

(e) If any article is admitted free of duty under subsection (a) for any purpose other than the joint project within five years after being entered, duty on the article shall be assessed in accordance with the procedures established in Headnote 1 of Schedule 8, Part 4, TSUS, 19 U.S.C. section 1202 (1970); 80 Stat. 897.

(f) The provisions of subsection (a) shall apply with respect to articles entered for consumption after the day which is 15 days after the date of enactment of this Act and before November 1, 1993.

TITLE XI. MISCELLANEOUS TARIFF, TRADE, AND CUSTOMS PROVISIONS

SEC. 1101. EQUAL AND EQUITABLE CLASSIFICATION AND DUTY RATES FOR VARIOUS CORDAGE PRODUCTS OF VIRTUALLY IDENTICAL CHARACTERISTICS

(a) IN GENERAL.—Part 2 of schedule 3 of the Tariff Schedules of the United States (19 U.S.C. 1202) is amended—

(1) by inserting "plastics or man-made materials," immediately after "assemblages of textile fiber or yarns," in headnote 1(a); and

(2) by inserting "plastics or other man-made materials" immediately after "Of man-made fibers" in the superior heading to items 316.55 and 316.58.

(b) EFFECTIVE DATE.—The amendments made by subsection (a) shall apply with respect to articles entered, or withdrawn from warehouse for consumption, on or after the fifteenth day after the enactment of this Act.

SEC. 1102. LIKE AGRICULTURAL PRODUCTS

(a) IN GENERAL.—Paragraph (10) of section 771 of the Tariff Act of 1930 (19 U.S.C. 1677) is amended by adding at the end thereof the following new sentence: "An agricultural product shall also be considered a like product if—

"(A) it is at an earlier state of processing than the imported article; and

"(B) the imported article is at an intermediate state of processing prior to its final consumption."

(b) EFFECTIVE DATE.—The amendment made by subsection (a) shall take effect on the fifteenth day on or after the date of the enactment of this Act.

SEC. 1103. FISH NETTING AND NETS

(a) IN GENERAL.—The headnotes for subpart B of part 1 of the Appendix to the Tariff Schedules of the United States (19 U.S.C. 1202) is amended by adding at the end thereof the following new headnote:

"(3) For purposes of item 905.30—

"(a) The term 'restricted amount' means, with respect to the 12-month period beginning on April 1 of any calendar year, the greater of—

"(A) 1,750,000 pounds, or

"(B) 28.5 percent of the aggregate apparent United States consumption of such netting and nets during the calendar year preceding such calendar year.

"(b) On or before April 1 of each calendar year (beginning with 1984), the International Trade Commission shall determine the aggregate apparent United States consumption of fish netting and fish nets, in pounds, during the preceding calendar year, shall report such determination to the Secretary of the Treasury and the Secretary of Commerce, and shall publish such determination in the Federal Register."

(b) RATES OF DUTY.—Subpart B of part 1 of such Appendix is amended by inserting in numerical sequence the following new item:

"905.30 Fish netting and fishing nets (including sections thereof), of textile materials (provided for in item 355.45 of part 4C, schedule 3) not over the restricted amount entered during the 12-month period beginning April 1 of any calendar year 17% ad val. No change ... On or before 1/1/89"

(c) EFFECTIVE DATE.—The amendments made by this section shall apply with respect to articles entered, or withdrawn from warehouse for consumption on or after the fifteenth day after the date of the enactment of this Act.

TITLE XII—CIVIL SERVICE PROGRAMS

COST-OF-LIVING ADJUSTMENTS UNDER THE CIVIL SERVICE RETIREMENT SYSTEM

SEC. 1201. (a) Subsections (a) and (b) of section 8340 of title 5, United States Code, are amended to read as follows:

"(a) For the purpose of this section—

"(1) the term 'base quarter', as used with respect to a year, means the calendar quarter ending on September 30 of such year; and

"(2) the price index for a base quarter is the arithmetical mean of such index for the 3 months comprising such quarter.

"(b) Except as provided in subsection (c) of this section, effective December 1 of each year, each annuity payable from the Fund having a commencing date not later than such December 1 shall be increased by the percent change in the price index for the base quarter of such year over the price index for the base quarter of the latest preceding year in which an increase under this subsection was made, adjusted to the nearest 1/10 of 1 percent."

(b)(1) The amendments made by subsection (a) shall take effect on the date of the enactment of this Act, except that no adjustment under section 8340(b) of title 5, United States Code (as amended by such subsection), shall be made during the period beginning on the date of the enactment of this Act and ending November 30, 1984.

(2) For purposes of the first increase under subsection (b) of section 8340 of title 5, United States Code (as amended by subsection (a)) after the date of enactment of this Act, an increase under such subsection (as so amended) shall be deemed to have been made effective December 1, 1983.

(c) Notwithstanding any other provision of law, beginning with the monthly rate payable for December 1984, any annuity or retired or retirement pay payable under any retirement system for Government officers or employees which the President adjusts pursuant to section 8340(b) of title 5, United States Code (as amended by subsection (a)), shall hereafter be paid no earlier than the first business day of the succeeding month.

(d) Subsection (b) of section 301 of the Omnibus Budget Reconciliation Act of 1982 (96 Stat. 790; 5 U.S.C. 8340 note) is repealed.

PAY COMPARABILITY ADJUSTMENT FOR FEDERAL EMPLOYEES

SEC. 1202. (a)(1) Notwithstanding any other provision of law, in the case of fiscal year 1984, the overall percentage of the adjustment under section 5305 of title 5, United States Code, in the rates of pay under the General Schedule, and in the rates of pay under the other statutory pay systems shall be an increase of 3.5 percent.

(2) The adjustment pursuant to paragraph (1) shall take effect on the first day of the first applicable pay period commencing on or after January 1, 1984.

(b) Section 5305 of title 5, United States Code, is amended—

(1) in subsection (a)(2), by inserting "the first January 1 after" before "October 1";

(2) in the first sentence of subsection (c)(2) by inserting "the first January 1 after" before "October 1"; and

(3) in subsection (m), by striking out "October 1" and inserting in lieu thereof "the first January 1 after October 1 of the applicable year".

(c)(1) Notwithstanding any other provision of law, in the case of a prevailing rate employee described in section 5342(a)(2) of title 5, United States Code, or an employee covered by section 5348 of such title—

(A) any increase in the rate of pay payable to such employee which would result from the expiration of the limitation contained in section 107(a) of Public Law 97-377 (96 Stat. 1909) shall not take effect, and

(B) any adjustment under subchapter IV of chapter 53 of such title to any wage schedule or rate applicable to such employee which results from a wage survey and which (without regard to paragraph (4) of this subsection) is scheduled to become effective during fiscal year 1984 shall not exceed the schedule or rate payable on September 30, 1983 (determined with regard to the limitation contained in section 107(a) of Public Law 97-377) by more than 3.5 percent.

(2) Notwithstanding the provisions of section 9(b) of Public Law 92-392 or section 704(b) of the Civil Service Reform Act of 1978, the provisions of paragraph (1) shall apply (in such manner as the Office of Personnel Management shall prescribe) to prevailing rate employees to whom such section 9(b) applies, except that the provisions of paragraph (1) shall not apply to any increase in a wage schedule or rate which is required by the terms of a contract entered into before October 1, 1983.

(3) The provisions of paragraph (1) shall not apply with respect to wage adjustments for prevailing rate supervisors under the supervisory pay plan published in the Federal Register on May 21, 1982 (47 Fed. Reg. 22100).

(4) Notwithstanding any other provision of law, any adjustment in a wage schedule or rate that—

(A) applies to a prevailing rate employee described in section 5342(a)(2) of title 5, United States Code, or that applies to any employee who is covered by section 5348 of such title, or who is subject to paragraph (2) of this subsection;

(B) results from a wage survey; and

(C) would take effect, were it not for this paragraph, on or after October 1, 1983, shall not take effect until the first day of the first applicable pay period beginning not less than 90 days after the day on which such adjustment would, were it not for this paragraph, otherwise have taken effect. The Office of Personnel Management shall take such actions as may be necessary to carry out the provisions of this paragraph.

deduction from civilian pay for cost-of-living adjustment of retired or retainer pay

SEC. 1203. Subsection (d) of section 301 of the Omnibus Budget Reconciliation Act of 1982 (96 Stat. 791; 5 U.S.C. 5332 note) is repealed.

LEAVE FOR CERTAIN OVERSEAS EMPLOYEES

SEC. 1204. Subsection (a) of section 6 of the Defense Department Overseas Teachers Pay and Personnel Practices Act (73 Stat. 214; 20 U.S.C. 904(a)) is amended by striking out "except that—" and all that follows through the end of such subsection and inserting in lieu thereof "except that if the school year includes more than eight months, any such teacher who shall have served for the entire

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